

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFICORP (U901E), an Oregon Company, for Approval to Reactivate the Surcharge To Fund Public Purpose Programs and Other Matters.

Application 13-07-015
(Filed July 22, 2013)

DECISION AUTHORIZING PACIFICORP TO REACTIVATE THE SURCHARGE TO FUND PUBLIC PURPOSE PROGRAMS AND TO CONTINUE ITS ENERGY EFFICIENCY PROGRAMS THROUGH 2016**Summary**

In this decision, the California Public Utilities Commission (Commission) authorizes PacifiCorp to reactivate its public purpose surcharge (Surcharge). PacifiCorp has used up the funding surplus that allowed PacifiCorp to suspend the Surcharge, and it is now appropriate for PacifiCorp to reactivate the Surcharge.

The Commission also authorizes PacifiCorp to continue operating its energy efficiency programs through 2016, as requested.

Through 2016, PacifiCorp may request future adjustments to the Surcharge via advice letter. Thereafter, PacifiCorp's process for adjusting the Surcharge will conform to that of other Investor Owned Utilities.

This proceeding is closed.

1. Factual Background

PacifiCorp describes itself as "a multi-jurisdiction utility providing electric service to retail customers [including] approximately 45,000 customers in

Del Norte, Modoc, Shasta and Siskiyou counties in Northern California.”¹

PacifiCorp “offers three energy efficiency programs to its California customers” (collectively, Programs):²

1. Home Energy Savings Program (Schedule D-118),
2. Energy FinAnswer (Schedule A-125), and
3. FinAnswer Express (Schedule A-115).

The Commission approved the Programs in Decision (D.) 08-01-041. Since then, PacifiCorp has offered the Programs with periodic modifications.

D.08-01-041 authorized PacifiCorp to collect \$1.3 million annually via the Surcharge to fund the Programs.³

Customer uptake of the programs initially turned out to be much lower than forecasted. PacifiCorp attributes this to “the economic recession and reductions in California load.”⁴ The result was that a “positive balance of approximately \$2.3 million” built up in PacifiCorp’s “Demand Side Management Programs Balancing Account (Balancing Account).”⁵ Faced with a surplus in the Balancing Account, PacifiCorp sought Commission approval to temporarily suspend the Surcharge.⁶

¹ Application of PACIFICORP (U 901 E), an Oregon Company, for Approval to Reactivate the Surcharge to Fund Public Purpose Programs and Other Matters (Application) at 2.

² *Id.* at 3.

³ D.08-01-041, Finding of Fact 2.

⁴ Application, at 4.

⁵ *Id.*

⁶ Application, Exhibit C (Advice Letter 451-E).

Program participation subsequently increased. By April 2013, the Balancing Account was running a deficit balance.⁷ The Application followed.

The Application provides an historical overview of the Programs. In sum, Program performance yielded significantly less savings than forecast from 2008 through 2010, and also cost significantly less than forecast. In 2011 and 2012, actual savings exceeded forecast savings, and Program spending also exceeded forecasts.

For 2014 through 2016, PacifiCorp estimates savings will rise from an approximately 3.8 GWh/year (gross) level to 4.5 GWh/year (gross). Expenditures will rise from \$1.447 million in 2013 to \$1.765 million in 2016. The Application does not quantify, or discuss at all, net savings. PacifiCorp forecasts a 1.59 Total Resource Cost (TRC)⁸ ratio and 2.48 Program Administrative Cost (PAC) ratio over the 2013 through 2016 period.

This brings us to the proposed Surcharge. “PacifiCorp proposes to collect the three-year 2014 through 2016 budget amounts of \$4.9 million plus the estimated 2013 year-end balance in the Balancing Account of \$1.2 million at an average rate over the three-year budget period beginning January 1, 2014. This

⁷ *Id.* at 8 (showing deficit balance of \$87,436 on an accrual basis).

⁸ The Commission Staff’s “Standard Practice Manual” describes how the Commission evaluates the cost-effectiveness of energy efficiency investments. The Standard Practice Manual sets out four cost-effectiveness tests: Total Resource Cost (TRC), Program Administrator Cost (PAC), Ratepayer Impact Measure (RIM), and Participant Cost Test (PCT). The tests assess the costs and benefits of demand-side resource programs from different stakeholder perspectives, including participants and non-participants.

results in an annual [Surcharge] amount of \$2.0 million which represents a rate increase of 1.9 percent.”⁹

1.1. Procedural Background

On July 22, 2013, PacifiCorp filed the Application. In the Application, PacifiCorp seeks the following:

- (1) Reactivation of PacifiCorp’s Surcharge, effective January 1, 2014;
- (2) Approval of PacifiCorp’s 2013-2016 EE program portfolio; and
- (3) Leave to file advice letters rather than applications to change the Surcharge rate going forward.

On August 15, 2013, the Chief Administrative Law Judge issued a Preliminary determination of category and need for hearing for the proceeding. The Chief Administrative Law Judge determined preliminarily that the proceeding was Ratesetting and that hearings were required.

No party protested the Application.

On November 4, 2013, the Commission conducted a telephonic Prehearing Conference. On November 21, 2013, the assigned Commissioner issued a Scoping Memorandum.

2. Issues Before the Commission

The issues before us, as set out in the Scoping Memorandum, are:

1. Whether to reactivate the public purpose program Surcharge and the appropriate rate.
2. Whether the Commission should approve PacifiCorp's 2014-2016 portfolio of energy efficiency programs.

⁹ Application, at 15.

3. What process should the Commission use for subsequent changes to the public purpose program Surcharge?

3. Discussion and Analysis

3.1 Whether to Reactivate the Public Purpose Program Surcharge, and the Appropriate Rate

3.1.1. Surcharge Reactivation

As discussed above, PacifiCorp contends that it needs to reactivate the Surcharge. We agree. The overcollection that prompted us to approve the suspension of the Surcharge is now gone. The programs that the Surcharge pays for are and will be (as discussed below) a just and reasonable cost of service. PacifiCorp is entitled to recover them, and the Surcharge is the appropriate mechanism for such recovery.¹⁰

3.1.2. Surcharge Rate

PacifiCorp appears to have correctly calculated the Surcharge and associated rates for 2014 as of the time it filed the Application. PacifiCorp shall re-calculate the Surcharge to reflect the Balancing Account balance as of the mailing date of this decision. PacifiCorp shall then file a Tier 1 Advice Letter within ten days of the mailing date of this decision that provides: (a) a new version of Exhibit E to the Application¹¹ and (b) tariffs that both incorporate the new Surcharge amount.

¹⁰ See Cal. Pub. Util. Code § 381.1 *et seq.* (authorizing a Surcharge on electric distribution rates to pay for energy efficiency programs).

¹¹ "Statement of Present and Proposed Rates."

3.2. Whether the Commission Should Approve PacifiCorp's 2014 Through 2016 Portfolio Of Energy Efficiency Programs

PacifiCorp's small proposed portfolio is comprised of programs in line with the Commission's major energy efficiency policies. Table 9 to the Application estimates that the proposed energy efficiency programs will result in gross savings of approximately 3.8 to 4.6 million kilowatt hours (kWh) per year in the period 2014 through 2016.

The Commission observes that there are some potential issues with these estimates. None of these issues rise to a level that warrants revisions to the Application. However, PacifiCorp shall address these issues as we direct in future applications:

- (1) For the Residential Home Energy Savings Program, in calculating program cost-effectiveness, PacifiCorp has estimated savings using data specific to PacifiCorp's service territory, rather than the Commission-maintained Database of Energy Efficiency Resources (DEER). The primary sources of PacifiCorp's data were Residential Home Energy Savings Program evaluations. Where PacifiCorp did use DEER values, it sometimes modified DEER based on program experience, market intelligence, and code and standards updates. It is unclear how accurate the savings values PacifiCorp used are. In future Applications, PacifiCorp shall use unmodified DEER values for measures where the DEER values are available.
- (2) For appliance recycling, there is no cost to the customer, so the gross participant cost is negative. Costs associated with recycling are program administrative costs. In future Applications, PacifiCorp shall include recycling costs as program administrative costs rather than treating the costs as purely negative.

- (3) PacifiCorp provided a cost effectiveness calculator file for each program in each year (2008 - 2016). The files contained program and measure-level inputs and outputs based on PG&E's versions of the cost effectiveness calculator. There is no specific cost effectiveness calculator version for PacifiCorp's service territory.

Pacific Gas & Electric Company (PG&E) is geographically the closest Commission-regulated utility that does have a territory-specific cost calculator. PacifiCorp's use of PG&E's cost calculator as a starting point for PacifiCorp's cost calculator is consistent with the cost effectiveness analysis that PacifiCorp presented in its application for approval of new energy efficiency programs (A.07-07-011), which the Commission approved pursuant to a settlement in D.08-01-041. In light of the small size of the programs at issue here, the Commission will not require PacifiCorp to develop a cost calculator that uses only PacifiCorp-specific inputs. However, if the dollar value or the number of PacifiCorp's programs materially change, PacifiCorp should consult with Commission Staff prior to filing a new application to determine whether such a cost calculator is appropriate.

The proposed portfolio continues programs that reduce the need for millions of kWh of electric generation capacity at a modest cost to ratepayers and is therefore consistent with law. The data provided by PacificCorp show that the proposed portfolio is cost effective. There were no protests to the application. In light of these facts, approval of the Application is in the public interest.

3.3. What Process Should the Commission use for Subsequent Changes to the Public Purpose Program Surcharge?

PacifiCorp seeks authority to use the advice letter process rather than the application process for future changes to the Surcharge.

One reason we approved the settlement in D.08-01-041¹² was that it “placed PacifiCorp on the same energy efficiency budget cycle as California’s large investor-owned electric utilities.” This reflected our goal of making standard the rules applicable to all administrators of energy efficiency programs. Ultimately, the Commission wants PacifiCorp’s filing process to synchronize with those of its peers.

In R.13-11-015, the Commission is undertaking potentially major changes in the structure and budget cycles of energy efficiency programs. The earliest that this rulemaking will result in a new filing process is for program year 2016. Through 2016, the Commission authorizes PacifiCorp to make changes to the Surcharge via Tier 2 advice letters.

4. Categorization and Need for Hearing

In Resolution ALJ-176-3319, dated August 15, 2013, the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that hearings were required. Pursuant to Rule 7.5 of the Commission’s Rules of Practice and Procedure, we change the determination to conclude that no hearings are required for this uncontested application.

5. Uncontested

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission’s Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

¹² Opinion Approving Application for New Energy Efficiency Programs As Modified By Settlement With The Division Of Ratepayer Advocates.

6. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Todd O. Edmister is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PacifiCorp offers three energy efficiency programs to its California customers (collectively, Programs): Home Energy Savings Program (Schedule D-118); Energy FinAnswer (Schedule A-125); and FinAnswer Express (Schedule A-115).

2. The Commission approved these programs in Decision (D.) 08-01-041. PacifiCorp has offered the Programs ever since, with periodic modifications. D.08-01-041 authorized PacifiCorp to collect \$1.3 million annually via the Surcharge to fund the Programs.

3. Customer uptake of the programs initially turned out to be much lower than forecasted. The result was that a positive balance of approximately \$2.3 million built up in PacifiCorp's Demand Side Management Programs Balancing Account (Balancing Account). PacifiCorp temporarily suspended the Surcharge.

4. Program participation subsequently increased. By April 2013, the Balancing Account was running a deficit balance.

5. Program performance yielded significantly less savings than forecast from 2008 through 2010, and also cost significantly less than forecast. In 2011 and 2012, actual savings exceeded the forecast savings, and Program spending also exceeded the forecast.

6. For 2014 through 2016, estimated savings will rise from approximately 3.8 GWh/year (gross) level to 4.6 GWh/year (gross). Estimated expenditures will rise from \$1.447 million in 2013 to \$1.765 million in 2016. PacifiCorp

forecasts a 1.59 Total Resource Cost (TRC) ratio and 2.48 Program Administrative Cost (PAC) ratio over the 2013 through 2016 period.

7. PacifiCorp proposes to collect the three-year 2014 through 2016 budget amounts of \$4.9 million plus the estimated 2013 year-end balance in the Balancing Account of \$1.2 million at an average rate over the three-year budget period beginning January 1, 2014. This results in an annual amount of \$2.0 million which represents a rate increase of 1.9 percent.

8. The overcollection that prompted us to approve the suspension of the Surcharge is now gone. The programs that the Surcharge pays for are and will be a just and reasonable cost of service. The Surcharge is the appropriate mechanism for such recovery.

9. PacifiCorp's small proposed portfolio is comprised of programs in line with the Commission's major energy efficiency policies. The portfolio is cost-effective.

10. In R.13-11-015, the Commission is undertaking potentially major changes in the structure and budget cycles of energy efficiency programs. The soonest that this rulemaking will result in a new filing process is for program year 2016.

11. Costs associated with recycling are program administrative costs.

12. PG&E is geographically the closest Commission-regulated utility that does have a territory-specific cost calculator. PacifiCorp's use of PG&E's cost calculator as a starting point for PacifiCorp's cost calculator is consistent with the cost effectiveness analysis that PacifiCorp presented in its application for approval of new energy efficiency programs (A.07-07-011), which the Commission approved pursuant to a settlement in D.08-01-041.

13. The accuracy of the savings values used by PacifiCorp is unclear.

Conclusions of Law

1. The proposed portfolio continues programs that reduce the need for millions of kWh of electric generation capacity at a modest cost to ratepayers and is therefore consistent with law.
2. Approval of the Application is in the public interest.

O R D E R**IT IS ORDERED** that:

1. PacifiCorp may reinstitute its public purpose Surcharge to recover the costs of its approved energy efficiency programs of \$4.9 million for 2014 through 2016, plus the balance of its Demand Side Management Programs Balancing Account (Balancing Account).¹³
2. PacifiCorp shall re-calculate the Surcharge to reflect the Balancing Account balance as of the mailing date of this decision. PacifiCorp shall then file a Tier 1 Advice Letter within ten days of the mailing date of this decision that provides: (a) a new version of Exhibit E to the Application¹⁴ and (b) tariffs that incorporate the new Surcharge amount.
3. If the dollar value or the number of PacifiCorp's energy efficiency programs materially change, PacifiCorp must consult with Commission Staff prior to filing a new application for approval of energy efficiency programs to determine whether a new cost calculator is appropriate.

¹³ The Balancing Account had a deficit balance of approximately \$300,000 as of May 2013. *See* Application, at 8.

¹⁴ "Statement of Present and Proposed Rates."

4. In future applications for approval of energy efficiency programs involving appliance recycling, PacifiCorp shall include recycling costs as program administrative costs rather than treating the costs as purely negative.

5. In future applications for approval of energy efficiency programs, PacifiCorp shall use unmodified Database of Energy Efficiency Resource (DEER) values for measures where the DEER values are available.

6. Through 2016, the Commission authorizes PacifiCorp to make changes to the public purpose surcharge via Tier 2 advice letters.

7. Application 13-07-015 is closed.

This order is effective today.

Dated _____, at San Francisco, California.